

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	81.00	0.00	6.00	87.00	0.00	6.00	87.00	87.00
Personal Services	3,258,627	886,028	545,602	4,690,257	897,046	687,322	4,842,995	9,533,252
Operating Expenses	8,525,672	(135,882)	1,688,666	10,078,456	(365,517)	1,185,774	9,345,929	19,424,385
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	444,205,071	60,428,236	45,167,702	549,801,009	87,112,302	64,182,508	595,499,881	1,145,300,890
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
<b>Total Costs</b>	<b>\$456,180,930</b>	<b>\$61,178,382</b>	<b>\$47,401,970</b>	<b>\$564,761,282</b>	<b>\$87,643,831</b>	<b>\$66,055,604</b>	<b>\$609,880,365</b>	<b>\$1,174,641,647</b>
General Fund	99,892,880	22,905,734	1,972,294	124,770,908	34,230,818	3,891,264	138,014,962	262,785,870
State/Other Special	23,744,825	14,391,209	13,281,154	51,417,188	4,391,819	17,199,161	45,335,805	96,752,993
Federal Special	332,543,225	23,881,439	32,148,522	388,573,186	49,021,194	44,965,179	426,529,598	815,102,784
<b>Total Funds</b>	<b>\$456,180,930</b>	<b>\$61,178,382</b>	<b>\$47,401,970</b>	<b>\$564,761,282</b>	<b>\$87,643,831</b>	<b>\$66,055,604</b>	<b>\$609,880,365</b>	<b>\$1,174,641,647</b>

**Program Description**

The Health Resources Division (HRD) administers Medicaid primary care services, children's mental health services, and the Children's Health Insurance Program (CHIP). The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of division services are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses medical services for the aged, blind, disabled, children, and low-income families. The Children's Mental Health Bureau is predominately financed through Medicaid. A small federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant provides regional infrastructure and very limited services for children below 150 percent of the federal poverty level.

The division administers CHIP as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. CHIP dental and eyeglasses benefits are reimbursed directly by the department.

The division also administers several state funded programs that provide prescription drug assistance and information to Montanans. Big Sky Rx is a premium assistance payment program to help Medicare eligible persons with incomes below 200 percent of the federal poverty level pay Part D pharmacy premiums. Pharmassist is a program to provide information about prescription drugs. The programs are funded from tobacco revenue and were initiated in response to a citizen passed initiative (I-149) in November 2004 that raised tobacco taxes, most notably \$1 per pack of cigarettes. There is also a pharmacy program to assist low-income Montanans that is to be implemented during the 2009 biennium and funded from rebates paid by pharmaceutical companies.

## Program Highlights

<b>Health Resources Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The 2009 biennium budget is \$1.2 billion compared to the 2007 biennium budget of \$1.0 billion</li> <li>◆ The 2009 biennium budget is \$179.7 million total funds greater than the 2007 biennium budget, with a net increase of \$55.8 million general fund and \$32.2 million state special revenue</li> <li>◆ Compared to base budget expenditures, the 2009 biennium appropriation increases \$262.3 million total funds, including \$63.0 million general fund, due largely to:               <ul style="list-style-type: none"> <li>• Medicaid service and eligibility increases - \$64.3 million, including \$19.6 million general fund</li> <li>• Continuation of the hospital utilization fee - \$44.8 million, including \$15.6 million in tax revenue used as federal Medicaid match</li> <li>• CHIP eligibility expansions and self administration (including 5.00 new FTE) and enrollment growth from 12,019 to 13,900 - \$26.6 million total funds, including \$5.6 million state special revenue</li> <li>• Big Sky Rx funding growth of \$11.1 million in health and Medicaid initiatives account state special revenue</li> <li>• Annualization of Medicaid eligibility expansions for children and provider rate increases approved by the 2005 Legislature - \$15.1 million total funds, including \$5.1 million state special revenue</li> <li>• Service expansions and dental access initiatives - \$23.1 million total funds, including \$2.3 million general fund and \$3.2 million health and Medicaid initiatives state special revenue</li> <li>• Provider rate increases - \$13.2 million total funds, including \$1.8 million general fund and \$3.3 million health and Medicaid initiatives state special revenue</li> </ul> </li> <li>• In addition to service and eligibility caseload growth and expansions, general fund rises due to:               <ul style="list-style-type: none"> <li>• Reductions in the federal Medicaid match rate, which increase general fund by \$13.4 million and reduce federal funds by a like amount in order to continue FY 2006 level of services</li> <li>• Payment of the clawback for assumption of some Medicaid drug costs by Medicare Part D prescription coverage - \$15.3 million</li> </ul> </li> <li>• Funding for personal services rises \$3.0 million, due to the 2009 biennium pay plan, vacancies during FY 2006, and funding for 6.00 new FTE.</li> </ul>	

## Program Narrative

The HRD budget is driven by changes in benefits and services costs, rising to 98.3 percent of the FY 2009 budget from 97.4 percent of FY 2006 base expenditures. Services costs grow due to:

- Medicaid service utilization and provider rate increases
- Big Sky Rx enrollment growth
- Medicaid and CHIP eligibility expansions
- Hospital utilization fee increases

Funding for personal services and operating costs increase partly due to the 2009 biennium pay plan and HRD assumption of CHIP administration, including 5.00 new FTE. Fully funding present level FTE costs also contributes to personal services growth since some positions were vacant part or all of FY 2006.

Present law adjustments at \$148.8 million are slightly greater than new proposals at \$113.5 million, largely due to Medicaid caseload costs, CHIP enrollment funding, and Big Sky Rx increases. New proposals include provider rate and direct care worker wages increases, Medicaid and CHIP eligibility expansions, and implementation of a family planning waiver.

General fund increases are due almost entirely to present law changes, contributing \$57.1 million of the total change. New proposals add \$5.9 million general fund. State special revenue increases are driven by annualization of 2007 biennium provider rate increases, expansion of Medicaid eligibility for children authorized by the 2005 Legislature, and appropriations for 2009 biennium provider rate increases, eligibility expansions, and Big Sky Rx funding. Federal funds grow primarily due to Medicaid cost increases and, to a much lesser extent, federal CHIP grant funding.

### Legislative Initiatives

The legislature appropriated \$28.4 million total funds, including \$2.4 million general fund to fund its own initiatives. Figure 41 shows individual appropriations approved by the legislature that were not included in the executive budget or were increases above the executive budget request.

Figure 41 Legislative Appropriation Initiatives - Health Resources Division					
Purpose	FY 2008		FY 2009		% of Ttl
	General Fund	Total Funds	General Fund	Total Funds	
Medicaid Expansions					
Pregnant Women and 1 Yr. Olds	\$0	\$3,004,514	\$0	\$3,863,233	18.0%
Medically Needy Income	371,647	1,464,511	743,295	2,918,906	13.6%
Provider Rate Increase*	0	(67,093)	875,012	6,639,967	31.0%
CHIP to 175 Percent of Poverty	0	934,920	0	4,228,493	19.7%
Physician Rate Increase	0	0	520,306	2,043,324	9.5%
Direct Care Worker Wage Increase	18,036	1,013,178	19,050	1,013,178	4.7%
Expand CHIP Dental Benefit - HB 198	100,000	455,997	100,000	452,284	2.1%
Campus Based Rate Equity	23,785	93,728	54,261	213,819	1.0%
System of Care Sustainability*	171,647	171,647	171,647	171,647	0.8%
Prescription Drug Review	(40,975)	(100,000)	(41,225)	(100,000)	-0.5%
Total Legislative Initiatives	<u>\$644,140</u>	<u>\$6,971,402</u>	<u>\$2,442,346</u>	<u>\$21,444,851</u>	<u>100.0%</u>
2009 Biennial Total			<u>\$3,086,486</u>	<u>\$28,416,253</u>	

\*This amount is the net change from the original executive recommendation.

The most significant change expanded Medicaid eligibility for pregnant women and children up to 1 year old and allowed elderly and disabled persons in the community to keep more of their income (medically needy eligibility change). These expansions added \$11.3 million over the biennium. Health and Medicaid initiatives account funds were appropriated to pay the state matching funds to support the expansion for pregnant women and infants (\$2.2 million over the biennium).

The legislature expanded eligibility for CHIP from 150 percent of the federal poverty level to 175 percent and also added funds for an expanded dental benefit for children who need more services than covered by the standard CHIP benefit.

The legislature funded a direct care worker wage increase, approved provider rate increases above the executive request and appropriated more general fund to sustain the children's system of mental health care than requested by the executive. Part of the state match for the rate increases comes from the health and Medicaid initiatives account (\$3.3 million over the biennium). The legislature approved rate increases for physicians and campus based children's mental health providers. Finally, the legislature approved operating cost increases to review prescription drug purchases with an expected reduction in Medicaid services costs that more than offset the operating cost increases.

The general fund to support legislative initiatives was provided in part by reductions in the Medicaid caseload estimates. Medicaid cost estimates declined by \$6.8 million general fund department wide. The agency narrative explains in more detail the differences between the DPHHS legislative appropriation and the executive budget.

**Other Appropriation Increases**

In addition to legislative initiatives, other major biennial increases are:

- Medicaid service utilization and eligibility growth, including clawback payments – \$120.1 million total funds (\$42.1 million general fund)
- Maintenance of hospital rate increases from the hospital bed tax - \$44.8 million total funds (\$15.6 million bed tax state special revenue)
- CHIP program changes, including moving to state administration - \$10.5 million total funds (\$3.2 million of tobacco settlement and health and Medicaid initiatives state special revenue)
- Enrollment increases in Big Sky Rx - \$9.8 million health and Medicaid initiatives state special revenue
- Implementation of a family planning waiver - \$6.2 million total funds (\$0.7 million general fund)
- Enhanced access to dental services - \$6.1 million total funds (\$1.1 million state special revenue from interest income from the tobacco settlement trust fund and \$0.8 million general fund)
- Funding for a prescription drug discount program supported by drug rebate revenue - \$2.4 state special revenue

**Summary of Division Budget by Function**

Figure 42 shows the main functions and services administered by HRD. The largest function is Medicaid services, which accounts for 80.4 percent of the FY 2009 appropriation. Children's Mental Health is the next largest component at 13.5 percent followed by CHIP with 5.6 percent. Big Sky Rx programs account for less than 1.0 percent of the total FY 2009 appropriation largely because the premium assistance program for persons enrolled in Medicare Part D is funded from a biennial appropriation.

Figure 42

Fiscal 2006 Base Budget Compared to 2009 Biennium Legislative Appropriation - Health Resources Division

Major Function and Services	FY 2006 Base Budget				FY 2008 Legislative Appropriation				FY 2009 Legislative Appropriation				% of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
<b>Major Function</b>													
Medicaid Services	\$82,508,747	\$17,568,050	\$272,940,824	\$373,017,621	\$102,555,544	\$28,793,034	\$310,930,876	\$442,279,454	\$113,943,105	\$31,907,118	\$344,308,671	\$490,158,894	80.4%
Children's Health Resources	218,782	3,993,350	16,423,596	20,635,728	100,000	7,350,247	26,522,604	33,972,851	100,000	7,461,340	26,637,392	34,198,732	5.6%
Children's Mental Health	17,165,351	1,252,354	43,178,805	61,596,510	22,115,078	2,539,620	51,097,677	75,752,375	23,971,549	2,534,736	55,561,483	82,067,768	13.5%
Big Sky Rx Programs	0	931,071	0	931,071	0	12,712,543	0	12,712,543	0	3,410,867	0	3,410,867	0.6%
Health Insurance Premium Assistance Program	0	0	0	0	286	21,744	22,029	44,059	308	21,744	22,052	44,104	0.0%
Total Division Budget*	\$99,892,880	\$23,744,825	\$332,543,225	\$456,180,930	\$124,770,908	\$51,417,188	\$388,573,186	\$564,761,282	\$138,014,962	\$45,335,805	\$426,529,598	\$609,880,365	100.0%
Percent of Total	22%	5%	73%	100%	22%	9%	69%	100%	23%	7%	70%	100%	
Compounded Annual Rate of Change					12%	47%	8%	11%	11%	-12%	10%	8%	
<b>Benefits</b>													
<u>Medicaid Services</u>													
Hospital Services	\$43,083,560	\$861,469	\$91,676,318	\$135,621,347	\$43,083,560	\$1,559,355	\$96,251,429	\$140,894,344	\$47,103,276	\$1,554,659	\$104,776,784	\$153,434,719	25.8%
Hospital Utilization Fee	0	11,111,200	26,605,026	37,716,226	0	17,503,843	38,222,192	55,726,035	0	20,324,595	44,183,150	64,507,745	10.8%
Children's Mental Health Svcs	15,247,280	1,252,354	38,215,408	54,715,042	21,072,793	2,440,418	49,195,628	72,708,839	23,229,392	2,435,534	53,959,287	79,624,213	13.4%
Managed Care Services	12,434,750	2,539,471	37,003,780	51,978,001	15,450,193	5,128,598	49,722,968	70,301,759	17,203,846	5,134,353	53,680,006	76,018,205	12.8%
Pharmacy Services	13,919,401	0	34,067,100	47,986,501	14,165,033	31,427	31,394,473	45,590,933	15,778,078	46,930	34,795,206	50,620,214	8.5%
Acute Services	10,211,595	3,043,658	19,607,087	32,862,340	12,104,572	4,827,867	26,431,665	43,364,104	13,776,027	5,175,662	31,380,438	50,332,127	8.5%
Medicare Buy-In	5,090,838	0	12,873,129	17,963,967	6,565,876	0	14,351,220	20,917,096	7,310,794	0	15,905,448	23,216,242	3.9%
Clawback Payment for Part D	0	0	0	0	6,984,448	0	0	6,984,448	8,317,885	0	0	8,317,885	1.4%
Cervical and Breast Cancer	473,468	0	1,837,226	2,310,694	647,630	19,628	2,362,106	3,029,364	790,551	19,100	2,830,897	3,640,548	0.6%
Indian Health Services	0	0	33,881,359	33,881,359	0	0	35,424,237	35,424,237	0	0	39,841,640	39,841,640	6.7%
School Based Services	0	0	9,998,320	9,998,320	0	0	11,833,040	11,833,040	0	0	11,755,918	11,755,918	2.0%
<u>CHIP</u>	207,261	3,783,054	15,558,704	19,549,018	100,000	6,854,540	24,757,909	31,712,449	100,000	6,953,660	24,848,919	31,902,579	5.4%
<u>Big Sky Rx</u>	0	206,364	0	206,364	0	9,674,920	0	9,674,920	0	0	0	0	0.0%
<u>Pharmacy Discount Program</u>	0	0	0	0	0	1,389,441	0	1,389,441	0	2,037,846	0	2,037,846	0.3%
<u>Pharmacist Program</u>	0	0	0	0	0	250,000	0	250,000	0	250,000	0	250,000	0.0%
Total Benefits	\$100,668,153	\$22,797,570	\$321,323,457	\$444,789,179	\$120,174,105	\$49,680,037	\$379,946,867	\$549,801,009	\$133,609,850	\$43,932,339	\$417,957,692	\$595,499,881	100.0%
Percent of Total Benefits	22.6%	5.1%	72.2%	100.0%	21.9%	9.0%	69.1%	100.0%	22.4%	7.4%	70.2%	100.0%	
Annual Rate of Change					9.3%	47.6%	8.7%	11.2%	11.2%	-11.6%	10.0%	8.3%	

The appropriations for services provided to low-income persons are 97.6 percent of the HRD appropriation. The Medicaid Services subprogram appropriation narrative discusses the detailed appropriation decisions made by the legislature that drive the changes in each Medicaid service. The major changes are continuation of the hospital utilization fee, changes in enrollment and service utilization, provider rate increases, and service and eligibility expansions.

In total, services appropriations increase 8.3 percent annually from the base budget through FY 2009. The general fund remains relatively constant despite a reduction in the federal Medicaid match rate that required an additional \$10.9 million general fund to maintain the FY 2006 level of service.

The state special revenue share of the budget increases slightly from 5.1 percent of base level expenditures to 7.4 percent of the FY 2009 appropriation. That change is driven by appropriation of health and Medicaid initiative state special revenue to support Medicaid provider rate increases and a service expansion, which raised eligibility for pregnant women and children under 1 year old from 133 percent to 150 percent of the federal poverty level.

Medicaid hospital services, including the hospital utilization fee, are the most significant service expenditure accounting for more than a third of the total division budget. Children's mental health services account for 13.1 percent. Managed care services, including the primary care provider program, and pharmacy services account for about a fifth of the division budget. Pharmacy services are net of an estimated \$15.7 million in rebates paid by drug manufacturers.

Acute services, primarily physician services, account for about 8.5 percent of the FY 2009 benefits budget. The Medicare buy-in program, where the Medicaid program pays the Part A (physician services) and Part B (hospital services) premiums for Medicare eligible persons, is about 3.9 percent. The clawback payment, while only comprising 1.4 percent of the FY 2009 benefits budget, is significant because it is 100 percent general fund. Except for Big Sky Rx programs, which are funded from health and Medicaid initiatives account revenue, the clawback is the only function that is fully funded with state funds (general fund in this case).

Breast and cervical cancer services are under 1.0 percent of the total division budget. Persons with incomes under 200 percent of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cancer program, can qualify for Medicaid coverage of cancer treatment and other basic Medicaid services.

Indian Health Services benefits represent federal Medicaid reimbursement for services provided by: 1) Indian Health Services to Medicaid eligible persons; or 2) by tribes that directly administer services that in other instances would be administered by Indian Health Services.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. Federal changes eliminated reimbursement for some services limiting growth in that service.

CHIP services are 5.4 percent of the division benefits budget and grow from base budget costs of \$19.5 million to \$31.9 million in the FY 2009 appropriation. The growth is due to a legislative initiative that raised financial eligibility from 150 percent to 175 percent of the federal poverty level, state assumption of program administration, and inflation in health services costs.

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level with an appropriation of almost \$9.7 million over the biennium. The Pharmacy Discount program, which is not yet implemented, would provide drug assistance to low income Montanans and would be funded by pharmaceutical rebates and received a \$3.4 million appropriation over the biennium. The Pharmassist program initiated during FY 2007 provides information about prescription drugs. It received an appropriation of \$0.5 million over the biennium. Big Sky Rx and Pharmassist are funded from health and Medicaid initiative state special revenue.

## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 99,892,880</b>	<b>21.9%</b>	<b>\$ 124,770,908</b>	<b>22.1%</b>	<b>\$ 138,014,962</b>	<b>22.6%</b>
01100 General Fund	99,892,880	21.9%	124,770,908	22.1%	138,014,962	22.6%
<b>02000 Total State Special Funds</b>	<b>23,744,825</b>	<b>5.2%</b>	<b>51,417,188</b>	<b>9.1%</b>	<b>45,335,805</b>	<b>7.4%</b>
02053 Medicaid Nursing Home Match	60,196	0.0%	60,196	0.0%	60,196	0.0%
02142 Medicaid Third Party Revenue	783,301	0.2%	783,301	0.1%	783,301	0.1%
02311 6901-02 Indrct Activty Prog 11	12,252	0.0%	13,173	0.0%	13,835	0.0%
02772 Tobacco Hlth & Medicd Initiative	6,369,755	1.4%	23,105,851	4.1%	13,364,441	2.2%
02785 6901-Senior Prescription Drugs	-	-	1,389,441	0.2%	2,037,846	0.3%
02789 6901-Chip/Mcha Tobacco Sett Fd	3,090,785	0.7%	5,748,288	1.0%	5,879,255	1.0%
02987 Tobacco Interest	2,317,336	0.5%	2,813,095	0.5%	2,872,336	0.5%
02989 69010-Hospital Utilization Fee	11,111,200	2.4%	17,503,843	3.1%	20,324,595	3.3%
<b>03000 Total Federal Special Funds</b>	<b>332,543,225</b>	<b>72.9%</b>	<b>388,573,186</b>	<b>68.8%</b>	<b>426,529,598</b>	<b>69.9%</b>
03426 Chip Program Fed	16,423,596	3.6%	26,547,593	4.7%	26,692,352	4.4%
03580 6901-93.778 - Med Adm 50%	6,277,161	1.4%	6,683,067	1.2%	6,584,276	1.1%
03582 93.778 - Med Ben 100%	33,881,359	7.4%	35,424,237	6.3%	39,841,640	6.5%
03583 93.778 - Med Ben Fmap	275,211,107	60.3%	319,072,303	56.5%	352,540,702	57.8%
03611 6901-03 Indrct Activty Prog 11	254,750	0.1%	290,457	0.1%	303,917	0.0%
03794 Samsha Grant	495,252	0.1%	555,529	0.1%	566,711	0.1%
<b>Grand Total</b>	<b>\$ 456,180,930</b>	<b>100.0%</b>	<b>\$ 564,761,282</b>	<b>100.0%</b>	<b>\$ 609,880,365</b>	<b>100.0%</b>

General fund is 21.9 percent of the base budget and rises each year of the 2009 biennium to 22.6 percent of the FY 2009 appropriation. General fund is used almost exclusively for state matching funds for Medicaid, except for a small amount that provides the match for the federal grant that supports development of the Children's System of Care. The federal match rate for Medicaid declines 2.15 percent from FY 2006 to FY 2009. Each 1.0 percent reduction in the federal match rate causes the state match to rise by \$3.9 million in FY 2008 and \$4.3 million in FY 2009 for services administered by this division.

General fund increases are due to Medicaid services utilization and caseload changes (\$19.6 million over the biennium) as well as federal Medicaid match rate changes (\$13.3 million over the biennium). Medicaid eligibility and access expansions add \$2.3 million and provider rate increases add \$1.3 million over the biennium.

Implementation of Medicare Part D prescription drug coverage January 1, 2006, shifted about 40.0 percent of Medicaid drug costs to Part D. Previously, state Medicaid programs had paid drug costs for persons eligible for both Medicare and Medicaid. Reimbursement (clawback) to the federal government for this cost shift adds \$15.3 million general fund over the biennium and is included in the caseload adjustments.

There are eight state special revenue sources that fund HRD, totaling \$23.7 million in the base budget and rising to \$45.3 million in FY 2009. Most of the growth - \$30.1 million over the biennium - is in the health and Medicaid initiatives account, which receives tobacco taxes and was created by citizen initiative. Funds in this account pay state Medicaid match for provider rate and direct care worker wage increases and service and eligibility expansions as well as the Big Sky Rx program, the Pharmassist program, and some matching funds for the CHIP eligibility expansion. The hospital utilization fee pays state Medicaid match to fund Medicaid payments to hospitals, rising from base budget funding of \$11.1 million to \$20.3 million in FY 2009 - an increase of \$26.7 million compared to the base doubled. Tobacco settlement funds and interest from the settlement trust total \$17.3 million over the biennium and pay most of the state match for CHIP and support Medicaid dental provider rate increases and access enhancement. Tobacco tax and settlement funding is discussed in the DPHHS agency overview.

Federal funds support 72.9 percent of base budget expenditures, declining to 69.9 percent in FY 2009. Medicaid matching funds accounted for 69.1 percent of the total division expenditures (\$315.4 million) in the base budget. Federal

Medicaid funding rises to \$398.8 million in FY 2009, but comprises a lower share of total expenditures with 65.4 percent in FY 2009. The change in federal match rate and growth in state special revenue funds and CHIP federal grant funds lowers federal Medicaid funding as a percent of total funds.

CHIP federal grant funding provided about 3.6 percent or \$16.4 million in the base budget, rising to \$26.7 million and 4.4 percent of total funding in FY 2009. A grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) for the development of a children's mental health system of care and federal indirect funds provide \$0.5 million each, rising slightly in the 2009 biennium.

### Program Reorganization

Children's Special Health Services was transferred from HRD to the Public Health and Safety Division, which is reflected in the difference in grant costs between biennia. Children's Special Health Services provides specialty clinics for children with metabolic disorders and other medical conditions such as cleft palate. The reorganization transferred 4.64 FTE and about \$0.7 million per year.

### HRD Biennial Budget Comparison

Figure 43 shows the 2007 biennium budget compared to the 2009 biennium appropriation. The 2007 biennial amounts in Figure 42 include a \$2.3 million general fund supplemental appropriation authorized in HB 3 of the 2007 regular session for higher services costs.

The appropriation increase between the two biennia is due almost entirely to higher benefits costs. As noted previously, service utilization increases, eligibility and services expansions, as well as provider rate and direct care worker wage increases drive the difference.

Personal services costs show a \$2.2 million increase, due to the 2009 biennium pay plan, annualization of FY 2007 pay plan increases, fully funding positions that were vacant part of all of FY 2006 due to new program start up, and 6.00 new FTE for CHIP administration (5.00 FTE) and a premium assistance program (1.00 FTE).

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Change
FTE	81.00	87.00		6.00	
Personal Services	\$7,289,026	\$9,533,252	0.8%	\$2,244,226	1.2%
Operating	21,549,166	19,424,385	1.7%	(2,124,781)	-1.2%
Equipment	0	0	0.0%	0	0.0%
Grants	1,493,358	378,556	0.0%	(1,114,802)	-0.6%
Benefits/Claims	964,648,625	1,145,300,890	97.5%	180,652,265	100.6%
Debt Service	4,564	4,564	0.0%	0	0.0%
<b>Total Costs</b>	<b>\$994,984,739</b>	<b>\$1,174,641,647</b>	<b>100.0%</b>	<b>\$179,656,908</b>	<b>100%</b>
General Fund	\$207,017,704	\$262,785,870	22.4%	\$55,768,166	31.0%
State Special	64,465,018	96,752,993	8.2%	32,287,975	18.0%
Federal Funds	723,502,017	815,102,784	69.4%	91,600,767	51.0%
<b>Total Funds</b>	<b>\$994,984,739</b>	<b>\$1,174,641,647</b>	<b>100.0%</b>	<b>\$179,656,908</b>	<b>100%</b>
Percent Increase		18.1%			
*2007 biennium general fund and benefits costs include \$2,330,043 for a supplemental appropriation authorized by HB 3.					

Operating cost reductions are due to delayed program start ups in FY 2006 and to lower operational costs for Big Sky Rx in the 2009 biennium. Grant reductions are due to transfer of the children's special services program to the Public Health and Safety Division.

General fund changes are partially due to the reduction in federal match rate, which was also a factor in the 2007 biennium supplemental appropriation. State special revenue increases are due to continuation of the hospital utilization fee, eligibility increases and administrative cost increases for CHIP, expected enrollment growth in Big Sky Rx, provider rate and direct care worker wage appropriations, and implementation of the Pharmacist program.

Federal funding increases are due to Medicaid caseload and eligibility expansions, eligibility increases and administrative cost increases for CHIP, and provider rate and direct care worker wage appropriations. Federal funding increases are partially offset by the expected reductions in federal Medicaid match rate.



**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions in the sub-program sections that follow.

Present Law Adjustments										
-----Fiscal 2008-----					-----Fiscal 2009-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,058,721						1,070,199
Vacancy Savings				(172,693)						(173,153)
Inflation/Deflation				6,122						7,029
Fixed Costs				25,699						34,613
<b>Total Statewide Present Law Adjustments</b>				<b>\$917,849</b>						<b>\$938,688</b>
DP 6015 - State Motor Pool Change										
0.00	(136)	(124)	(218)	(478)	0.00	(135)	(124)	(217)	(476)	
DP 11001 - Medicaid Caseload										
0.00	4,903,805	0	11,635,744	16,539,549	0.00	11,934,305	0	26,843,209	38,777,514	
DP 11002 - Medicaid Caseload - Children's Mental Health										
0.00	2,819,972	0	6,163,693	8,983,665	0.00	4,501,736	0	9,794,029	14,295,765	
DP 11003 - Medicare Buy - In Caseload										
0.00	926,987	0	2,026,142	2,953,129	0.00	1,653,941	0	3,598,334	5,252,275	
DP 11004 - Medicaid Breast & Cervical Cancer										
0.00	143,892	0	512,250	656,142	0.00	267,214	0	941,352	1,208,566	
DP 11005 - FMAP MATCH Rate for FY2008/FY2009										
0.00	7,070,145	0	(7,070,145)	0	0.00	7,411,883	0	(7,411,883)	0	
DP 11006 - CHIP FMAP Match Rate										
0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)	0	
DP 11007 - Medicaid Tobacco Portion -I- 149										
0.00	(200,000)	2,951,188	6,013,349	8,764,537	0.00	(200,000)	2,951,188	5,985,517	8,736,705	
DP 11008 - Big Sky Rx Base Adjustment										
0.00	0	9,856,620	0	9,856,620	0.00	0	(68,300)	0	(68,300)	
DP 11009 - CHIP Enrollment										
0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929	3,137,449	
DP 11010 - Indian Health Services Caseload										
0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,281	
DP 11018 - Pharmassist Program										
0.00	0	362,071	0	362,071	0.00	0	334,052	0	334,052	
DP 11025 - Rural Health & Fed Qualified Health Centers										
0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,427	
DP 11028 - Phased-down State Contribution Adjustment										
0.00	6,984,448	0	0	6,984,448	0.00	8,317,885	0	0	8,317,885	
DP 11031 - CMH - Direct Care Wage Biennial										
0.00	0	99,202	(99,202)	0	0.00	0	99,202	(99,202)	0	
DP 11040 - Hospital Cost Reports										
0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000	
DP 11609 - Accept LFD Funding - Present Law Adjustments										
0.00	(86,410)	(316,058)	402,468	0	0.00	(91,458)	(409,231)	500,689	0	
<b>Total Other Present Law Adjustments</b>										
0.00	<b>\$22,497,438</b>	<b>\$13,877,348</b>	<b>\$23,885,747</b>	<b>\$60,260,533</b>	<b>0.00</b>	<b>\$33,809,468</b>	<b>\$3,781,163</b>	<b>\$49,114,512</b>	<b>\$86,705,143</b>	
<b>Grand Total All Present Law Adjustments</b>				<b>\$61,178,382</b>						<b>\$87,643,831</b>

## New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
11	0.00	76,179	25,330	112,833	214,342	0.00	151,673	47,872	225,671	425,216
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
11	0.00	2,297	442	2,394	5,133	0.00	1,907	461	2,478	4,846
DP 11011 - Dental Access										
11	0.00	400,000	495,759	2,087,370	2,983,129	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee - Requires Legislation (Requires Legislation)										
11	0.00	0	6,392,643	11,617,166	18,009,809	0.00	0	9,213,395	17,578,124	26,791,519
DP 11013 - CHIP Self Administration										
11	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11016 - Deficit Reduction Act Grant										
11	0.00	301,381	0	301,381	602,762	0.00	0	0	0	0
DP 11017 - Prescription Drug Discount Program - Restricted										
11	0.00	0	1,389,441	0	1,389,441	0.00	0	2,037,846	0	2,037,846
DP 11038 - Family Planning Waiver Implementation										
11	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases										
11	0.00	0	1,620,277	3,541,486	5,161,763	0.00	1,222,681	1,646,566	7,161,058	10,030,305
DP 11601 - Direct Care Worker Wage Increase - Restricted										
11	0.00	18,036	300,000	695,142	1,013,178	0.00	19,050	300,000	694,128	1,013,178
DP 11604 - Prescription Drug Review										
11	0.00	(40,975)	0	(59,025)	(100,000)	0.00	(41,225)	0	(58,775)	(100,000)
DP 11605 - Raise CHIP Eligibility										
11	0.00	0	877,725	3,124,667	4,002,392	0.00	0	934,920	3,293,573	4,228,493
DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150%										
11	0.00	0	943,117	2,061,397	3,004,514	0.00	0	1,216,532	2,646,701	3,863,233
DP 11607 - Revise Medically Needy Income Level										
11	0.00	371,647	0	1,092,864	1,464,511	0.00	743,295	0	2,175,611	2,918,906
DP 11608 - Equalize Campus Based Rates - Restricted										
11	0.00	23,785	0	69,943	93,728	0.00	54,261	0	159,558	213,819
DP 11609 - Physician Rate Increase - Restricted										
11	0.00	0	0	0	0	0.00	520,306	0	1,522,928	2,043,234
DP 11610 - Expand CHIP Dental Benefit - HB 198										
11	0.00	100,000	0	355,997	455,997	0.00	100,000	0	352,284	452,284
DP 11901 - System of Care Sustainability										
11	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
Total	6.00	\$1,972,294	\$13,281,154	\$32,148,522	\$47,401,970	6.00	\$3,891,264	\$17,199,161	\$44,965,179	\$66,055,604

## Language

The legislature approved the following language.

“Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers to \$8.50 an hour and related benefits, and the remaining balance may be used only to raise wages of all direct care workers. The department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted.

Funds in Provider Rate Increase may be used only to raise provider rates by 2.5% in fiscal year 2008 and 2.5% in fiscal year 2009.

Funds in Medicaid Eligibility for Pregnant Women to 150% may be used only to provide medicaid services for infants up to 1 year of age and for pregnant women with incomes between 133% and 150% of the federal poverty index.

Revise Medically Needy Income Level may be used only to increase the amount of income that is disregarded in determining eligibility for medicaid for the medically needy category of eligibility.

Raise Physician Reimbursement may be used only to increase medicaid rates paid for physician services.

Funds in Equalize Campus-Based Rates may be used only to raise medicaid rates for campus-based therapeutic youth group home providers as long as that level of care continues. Otherwise, the funds may be used to raise medicaid rates for therapeutic group home services.

Big Sky Rx Premium Assistance may be used only to pay all or a portion of the monthly premium payment for part d drug assistance for low-income persons who are eligible for medicare as allowed by 53-6-1201(3)(b)."

The Governor vetoed the following language.

"Included in Health Resources Division Administration/Reporting is \$200 in general fund money for a semi-annual report to the legislative finance committee and the interim committee on children and families for the following:

- (1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Health Resources Division Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates."

## Sub-Program Details

## MEDICAID 01

## Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	40.00	0.00	1.00	41.00	0.00	1.00	41.00	41.00
Personal Services	1,866,334	322,251	254,822	2,443,407	328,518	465,454	2,660,306	5,103,713
Operating Expenses	6,119,087	(654,646)	306,246	5,770,687	(610,688)	304,946	5,813,345	11,584,032
Benefits & Claims	365,032,200	37,339,671	31,693,489	434,065,360	68,390,523	48,262,520	481,685,243	915,750,603
<b>Total Costs</b>	<b>\$373,017,621</b>	<b>\$37,007,276</b>	<b>\$32,254,557</b>	<b>\$442,279,454</b>	<b>\$68,108,353</b>	<b>\$49,032,920</b>	<b>\$490,158,894</b>	<b>\$932,438,348</b>
General Fund	82,508,747	18,889,352	1,157,445	102,555,544	28,471,979	2,962,379	113,943,105	216,498,649
State/Other Special	17,568,050	2,243,452	8,981,532	28,793,034	2,150,394	12,188,674	31,907,118	60,700,152
Federal Special	272,940,824	15,874,472	22,115,580	310,930,876	37,485,980	33,881,867	344,308,671	655,239,547
<b>Total Funds</b>	<b>\$373,017,621</b>	<b>\$37,007,276</b>	<b>\$32,254,557</b>	<b>\$442,279,454</b>	<b>\$68,108,353</b>	<b>\$49,032,920</b>	<b>\$490,158,894</b>	<b>\$932,438,348</b>

Medicaid services managed by HRD are nearly one-third of the \$3.1 billion DPHHS 2009 biennium appropriation. The Medicaid services administered by HRD are commonly referred to as “state plan services”. Once a state opts to administer Medicaid it must submit its plan for federal review and approval. The plan must include certain mandatory services and can include optional services. Examples of mandatory services are hospital and physician services, and durable medical equipment. Examples of optional services include pharmacy and some outpatient services, such as physical, speech, and occupational services. The Montana Medicaid state plan includes nearly all optional services. Once a person is eligible for Medicaid, they are eligible for any state plan service if it is medically necessary. A waiver of federal regulations is necessary to limit or reduce the services a Medicaid eligible person can receive. DPHHS has waivers that allow it to reduce the service package to a few specified populations, including able-bodied parents in low-income families.

Total Medicaid state plan costs are driven by the number of persons eligible, the number of persons accessing services, the quantity of services utilized, and the cost of services. Although Montana funds a wide array of services, its eligibility levels are at or near federal minimums and Medicaid reimbursements across provider classes are lower than comparable Medicare service rates.

State plan services are the dominant component of the division and the department budgets nearing \$1.0 billion in the 2009 biennium appropriation. State plan services are a significant component of HB 2 as well. In FY 2006 state plan services were about 8.0 percent of total HB 2 expenditures, including \$79.8 million general fund and \$17.6 million state special revenue. In FY 2009, Medicaid state plan services rise to 12.2 percent of total HB 2 appropriations, including 6.8 percent of the total general fund and 19.7 percent of total federal fund appropriations.

Figure 44 shows the appropriation for each major Medicaid service administered by HRD, except children’s mental health services, which is a separate program. In summary, appropriation increases over the 2009 biennium are driven by:

- Continuation of the hospital bed utilization fee (\$120.2 million state special revenue and federal funds)
- Increases in service utilization and some growth in the number of persons eligible (\$19.6 million general fund, \$64.3 million total funds)
- Initiatives to expand Medicaid eligibility in the 2009 biennium add \$23.1 million total funds, including \$2.3 million general fund and \$3.2 million in health and Medicaid initiatives state special revenue to:
  - Raise income eligibility from 133 percent to 150 percent of the federal poverty level for pregnant women and children under 1 year old

- Raise provider rates for dental services and directly contract for provision of dental services if viable
  - Implement a family planning waiver that allows persons with incomes up to 185 percent of the federal poverty level to receive certain health services and contraceptives
  - Allow disabled and elderly persons in the community to retain more of their income and qualify for Medicaid
- A drop in the federal match rate from 70.66 percent in FY 2006 to 68.61 percent in FY 2008 and 68.51 percent in FY 2009 (\$10.9 million general fund increase and a like reduction in federal funds)
  - 2009 biennium provider rate increases that add \$12.4 million total funds, including \$2.2 million in tobacco tax state special revenue and \$1.3 million general fund
  - Payment of the state clawback due to implementation of Medicare Part D prescription drug coverage totals \$15.3 million general fund
  - Annualization of an eligibility expansion (family asset limit raised from \$3,000 to \$15,000 for Medicaid eligibility for children) and provider rate increases implemented in FY 2007 adds \$15.0 million total funds, including a \$0.4 million general fund reduction

**Figure 44**  
**2009 Biennium Appropriation - HRD Medicaid Services**

Medicaid Services	FY 2008 Legislative Appropriation				FY 2009 Legislative Appropriation				% of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
<b>Hospital Services</b>	\$37,797,005	\$861,469	\$91,676,318	\$130,334,792	\$37,797,005	\$861,469	\$91,676,318	\$130,334,792	59.8%
Hospital Bed Tax Base Expenditures	0	11,111,200	26,605,026	37,716,226	0	11,111,200	26,605,026	37,716,226	17.3%
NP 11012 Hospital Utilization Fee	0	6,392,643	11,617,166	18,009,809	0	9,213,395	17,578,124	26,791,519	12.3%
PL 11001 Medicaid Caseload	2,544,396	0	5,561,358	8,105,754	6,031,838	0	13,122,936	19,154,774	8.8%
PL 11005 FMAP Match Rate for 08/09	2,669,798	0	(2,669,798)	0	2,800,032	0	(2,800,032)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	0	290,435	634,812	925,247	0	290,435	631,874	922,309	0.4%
PL 11025 Rural Health & FQHCs	72,361	0	158,162	230,523	158,529	0	344,898	503,427	0.2%
NP 11501 Provider Rate Increases	0	407,451	890,577	1,298,028	315,872	402,755	1,800,790	2,519,417	1.2%
<b>Subtotal Hospital Services</b>	<b>\$43,083,560</b>	<b>\$19,063,198</b>	<b>\$134,473,621</b>	<b>\$196,620,379</b>	<b>\$47,103,276</b>	<b>\$21,879,254</b>	<b>\$148,959,934</b>	<b>\$217,942,464</b>	<b>100.0%</b>
<b>Pharmacy Services</b>	<b>\$13,919,401</b>	<b>\$0</b>	<b>\$34,067,100</b>	<b>\$47,986,501</b>	<b>\$13,919,401</b>	<b>\$0</b>	<b>\$34,067,100</b>	<b>\$47,986,501</b>	<b>94.8%</b>
PL 11001 Medicaid Caseload	(704,921)	0	(1,540,765)	(2,245,686)	845,606	0	1,839,710	2,685,316	5.3%
PL 11005 FMAP Match Rate for 08/09	1,029,028	0	(1,029,028)	0	1,079,225	0	(1,079,225)	0	0.0%
NP 11501 Provider Rate Increases	0	31,427	68,691	100,118	12,571	46,930	138,896	198,397	0.4%
NP 11604 Pharmacy Review	(78,475)	0	(171,525)	(250,000)	(78,725)	0	(171,275)	(250,000)	-0.5%
<b>Subtotal Pharmacy Services</b>	<b>\$14,165,033</b>	<b>\$31,427</b>	<b>\$31,394,473</b>	<b>\$45,590,933</b>	<b>\$15,778,078</b>	<b>\$46,930</b>	<b>\$34,795,206</b>	<b>\$50,620,214</b>	<b>100.0%</b>
<b>Acute Services Base Expenditures</b>	<b>\$10,211,595</b>	<b>\$3,043,658</b>	<b>\$19,607,087</b>	<b>\$32,862,340</b>	<b>\$10,211,595</b>	<b>\$3,043,658</b>	<b>\$19,607,087</b>	<b>\$32,862,340</b>	<b>65.3%</b>
PL 11001 Medicaid Caseload	611,939	0	1,337,533	1,949,472	1,181,905	0	2,571,365	3,753,270	7.5%
PL 11005 FMAP Match Rate for 08/09	509,391	0	(509,391)	0	537,179	0	(537,179)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	0	93,597	204,578	298,175	0	93,597	203,631	297,228	0.6%
NP 11011 Dental Access	400,000	495,759	2,087,370	2,983,129	400,000	555,000	2,077,709	3,032,709	6.0%
NP 11501 Provider Rate Increases	0	251,736	550,227	801,963	181,747	266,875	1,112,585	1,561,207	3.1%
NP 11606 Raise Eligibility - Pregnant Wome	0	943,117	2,061,397	3,004,514	0	1,216,532	2,646,701	3,863,233	5.1%
NP 11607 Revise Med. Needy Income Level	371,647	0	1,092,864	1,464,511	743,295	0	2,175,611	2,918,906	3.8%
NP 11609 Physician Rate Increase	0	0	0	0	520,306	0	1,522,928	2,043,234	2.7%
<b>Subtotal Acute Services</b>	<b>\$12,104,572</b>	<b>\$4,827,867</b>	<b>\$26,431,665</b>	<b>\$43,364,104</b>	<b>\$13,776,027</b>	<b>\$5,175,662</b>	<b>\$31,380,438</b>	<b>\$50,332,127</b>	<b>100.0%</b>
<b>Managed Care Services Base Expenditures</b>	<b>\$12,344,957</b>	<b>\$2,539,471</b>	<b>\$36,786,754</b>	<b>\$51,671,182</b>	<b>\$12,344,957</b>	<b>\$2,539,471</b>	<b>\$36,786,754</b>	<b>\$51,671,182</b>	<b>68.0%</b>
Targeted Case Management	89,793	0	217,026	306,819	89,793	0	217,026	306,819	0.4%
PL 11001 Medicaid Caseload	2,452,391	0	5,360,258	7,812,649	3,874,956	0	8,430,399	12,305,355	16.2%
PL 11005 FMAP Match Rate for 08/09	548,051	0	(548,051)	0	566,015	0	(566,015)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	(200,000)	2,175,128	4,317,092	6,292,220	(200,000)	2,175,128	4,297,111	6,272,239	8.3%
NP 11038 Family Planning Waiver OTO	215,001	0	2,684,999	2,900,000	215,001	0	2,684,999	2,900,000	3.8%
NP 11501 Provider Rate Increases	0	413,999	904,890	1,318,889	313,124	419,754	1,829,732	2,562,610	3.4%
<b>Subtotal Managed Care Services</b>	<b>\$15,450,193</b>	<b>\$5,128,598</b>	<b>\$49,722,968</b>	<b>\$70,301,759</b>	<b>\$17,203,846</b>	<b>\$5,134,353</b>	<b>\$53,680,006</b>	<b>\$76,018,205</b>	<b>100.0%</b>
<b>Medicare Buy-In</b>	<b>\$5,090,838</b>	<b>\$0</b>	<b>\$12,873,129</b>	<b>\$17,963,967</b>	<b>\$5,090,838</b>	<b>\$0</b>	<b>\$12,873,129</b>	<b>\$17,963,967</b>	<b>77.4%</b>
DP 11003 Caseload Increase	926,987	0	2,026,142	2,953,129	1,653,941	0	3,598,334	5,252,275	22.6%
PL 11005 FMAP Match Rate for 08/09	548,051	0	(548,051)	0	566,015	0	(566,015)	0	0.0%
<b>Subtotal Medicare Buy-In</b>	<b>\$6,565,876</b>	<b>\$0</b>	<b>\$14,351,220</b>	<b>\$20,917,096</b>	<b>\$7,310,794</b>	<b>\$0</b>	<b>\$15,905,448</b>	<b>\$23,216,242</b>	<b>100.0%</b>
<b>Phased Down State Contribution</b>	<b>\$6,984,448</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,984,448</b>	<b>\$8,317,885</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,317,885</b>	<b>16.5%</b>
<b>Breast and Cervical Cancer</b>	<b>\$647,630</b>	<b>\$19,628</b>	<b>\$2,362,106</b>	<b>\$3,029,364</b>	<b>\$790,551</b>	<b>\$19,100</b>	<b>\$2,830,897</b>	<b>\$3,640,548</b>	<b>100.0%</b>
<b>Indian Health Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,424,237</b>	<b>\$35,424,237</b>	<b>\$0</b>	<b>\$0</b>	<b>\$39,841,640</b>	<b>\$39,841,640</b>	<b>100.0%</b>
<b>School Based Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,915,680</b>	<b>\$10,915,680</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,877,119</b>	<b>\$10,877,119</b>	<b>92.5%</b>
PL 11001 Medicaid Caseload	0	0	917,360	917,360	0	0	878,799	878,799	7.5%
<b>Subtotal School Based Services</b>	<b>\$7,632,078</b>	<b>\$0</b>	<b>\$11,833,040</b>	<b>\$11,833,040</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,755,918</b>	<b>\$11,755,918</b>	<b>100.0%</b>
<b>Total by Component</b>									
Base/Some Caseload Increases	\$80,101,219	\$6,464,226	\$243,929,437	\$330,494,882	\$80,244,140	\$6,463,698	\$248,777,070	\$335,484,908	69.6%
Hospital Utilization Fee	0	17,503,843	38,222,192	55,726,035	0	20,324,595	44,183,150	64,507,745	13.4%
Caseload/Service Utilization Growth	5,903,153	0	13,820,048	19,723,201	13,746,776	0	30,786,440	44,533,216	9.2%
Expansions/Access	986,648	1,438,876	7,926,630	10,352,154	1,358,296	1,771,532	9,585,020	12,714,848	2.6%
FMAP Federal Match Rate Reduction	5,304,319	0	(5,304,319)	0	5,548,466	0	(5,548,466)	0	0.0%
Provider Rate Increases	0	1,104,613	2,414,385	3,518,998	1,343,620	1,136,314	6,404,931	8,884,865	1.8%
Phased Down Contribution - Clawback	6,984,448	0	0	6,984,448	8,317,885	0	0	8,317,885	1.7%
Annualization of 2007 Biennium Expansions	(200,000)	2,559,160	5,156,482	7,515,642	(200,000)	2,559,160	5,132,616	7,491,776	1.6%
Efficiencies/Cost Saving Actions	(78,475)	0	(171,525)	(250,000)	(78,725)	0	(171,275)	(250,000)	-0.1%
<b>Grand Total</b>	<b>\$99,001,312</b>	<b>\$29,070,718</b>	<b>\$305,993,330</b>	<b>\$434,065,360</b>	<b>\$110,280,458</b>	<b>\$32,255,299</b>	<b>\$339,149,486</b>	<b>\$481,685,243</b>	<b>100.0%</b>
<b>Percent of Total</b>	<b>22.8%</b>	<b>6.7%</b>	<b>70.5%</b>	<b>100.0%</b>	<b>22.9%</b>	<b>6.7%</b>	<b>70.4%</b>	<b>100.0%</b>	

Hospital services are the largest share of the Medicaid services appropriation accounting for almost half of total 2009 biennium budget. Managed care services account for about 15.8 percent of the total, while pharmacy and acute care services are each about 10 percent of the total.

The legislature, at its own initiative, added funds to contract for review of prescription drugs by the Medicaid program with the expectation that there would be savings that would offset the increased administrative costs. The net cost reduction is about \$82,000 general fund over the biennium after netting the increase in administrative costs and reduction in services costs as shown in Figure 44.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				413,439					419,969
Vacancy Savings				(91,188)					(91,451)
Inflation/Deflation				2,765					3,589
Fixed Costs				10,427					14,998
<b>Total Statewide Present Law Adjustments</b>				<b>\$335,443</b>					<b>\$347,105</b>
DP 6015 - State Motor Pool Change									
0.00	(136)	(124)	(218)	(478)	0.00	(135)	(124)	(217)	(476)
DP 11001 - Medicaid Caseload									
0.00	4,903,805	0	11,635,744	16,539,549	0.00	11,934,305	0	26,843,209	38,777,514
DP 11003 - Medicare Buy - In Caseload									
0.00	926,987	0	2,026,142	2,953,129	0.00	1,653,941	0	3,598,334	5,252,275
DP 11004 - Medicaid Breast & Cervical Cancer									
0.00	143,892	0	512,250	656,142	0.00	267,214	0	941,352	1,208,566
DP 11005 - FMAP MATCH Rate for FY2008/FY2009									
0.00	5,852,087	0	(5,852,087)	0	0.00	6,134,407	0	(6,134,407)	0
DP 11007 - Medicaid Tobacco Portion -I- 149									
0.00	(200,000)	2,559,160	5,156,482	7,515,642	0.00	(200,000)	2,559,160	5,132,616	7,491,776
DP 11010 - Indian Health Services Caseload									
0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,281
DP 11025 - Rural Health & Fed Qualified Health Centers									
0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,427
DP 11028 - Phased-down State Contribution Adjustment									
0.00	6,984,448	0	0	6,984,448	0.00	8,317,885	0	0	8,317,885
DP 11040 - Hospital Cost Reports									
0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11609 - Accept LFD Funding - Present Law Adjustments									
0.00	(86,410)	(316,058)	402,468	0	0.00	(91,458)	(409,231)	500,689	0
<b>Total Other Present Law Adjustments</b>									
0.00	<b>\$18,722,034</b>	<b>\$2,242,978</b>	<b>\$15,706,821</b>	<b>\$36,671,833</b>	<b>0.00</b>	<b>\$28,299,688</b>	<b>\$2,149,805</b>	<b>\$37,311,755</b>	<b>\$67,761,248</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$37,007,276</b>					<b>\$68,108,353</b>

DP 6015 - State Motor Pool Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 11001 - Medicaid Caseload - This appropriation adds \$55.3 million (\$16.8 million in general fund) over the biennium for increased Medicaid costs for several state plan Medicaid benefits. This change is about \$25.5 million lower than the initial executive budget request. Medicaid cost estimates were updated in February 2007 and declined compared to November 2006 estimates because of reduction in the number of persons eligible for services and updated claims data.

DP 11003 - Medicare Buy - In Caseload - The legislature added \$8.2 million total funds over the biennium including \$2.6 million general fund to pay expected increases in premiums for Medicare Part A and Part B as projected by the department. DPHHS pays Medicare Part A and Part B premiums for persons eligible for both Medicare and Medicaid if it would lower Medicaid costs. Medicare covers the cost of most services for the individual leaving Medicaid liable for non-Medicare covered services, and for co-insurance and deductibles related to services utilized.

DP 11004 - Medicaid Breast & Cervical Cancer - The legislature appropriated \$1.9 million for the biennium, including \$0.4 million general fund to provide continued funding for the Breast and Cervical Cancer Treatment program for those individuals determined to be Medicaid eligible. Costs rise due to estimated growth in service utilization and the number of persons eligible, based on historic cost trends. The Medicaid program provides health care coverage and reimbursement to health care providers for those individuals screened through the Montana Breast and Cervical Health (MBCH) program who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment.

DP 11005 - FMAP Match Rate for FY2008/FY2009 - The legislature appropriated \$14.5 million in general fund with a like reduction in federal funds due to the federal Medicaid match rate (FMAP) reduction. Most of the change is for state plan services, which rise by \$12.0 million general fund with a like reduction in federal funds. This adjustment also adds \$2.5 million in general fund for children's mental health services and reduces federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11007 - Medicaid Tobacco Portion -I-149 - The legislature reduced general fund by \$0.2 million each year and increased health and Medicaid initiatives state special funds \$3.0 million each year to annualize eligibility increases and fully fund provider rate increases implemented in FY 2007. State special revenue and a small amount of general fund were appropriated by the 2005 Legislature for Medicaid provider rate increases in FY 2006. Beginning in FY 2007, the legislature appropriated health and Medicaid initiative funds for the state Medicaid match to increase eligibility for children by increasing the family asset limit from \$3,000 to \$15,000.

DP 11010 - Indian Health Services Caseload - The legislature added \$7.5 million in federal funds for the biennium. The Montana Indian Health Service is making a concerted effort to identify all Medicaid eligible persons who are also Indian Health Service recipients and to bill appropriately for services. This program has had substantial growth in the past few years and is expected to continue to grow at 8 percent per year through the next biennium. This program is fully funded from federal funds.

DP 11025 - Rural Health & Federally Qualified Health Centers - Rural health clinic and Federally Qualified Health Center services are required Medicaid services. The legislature appropriated \$733,950 over the biennium for increased service costs and utilization. These facilities are paid an all-inclusive prospective payment amount per patient visit. The per visit payment amounts are increased each year based on the Medicare Economic Index (due to Benefit Improvement and Protection Act (BIPA)). The three most recent annual increases have been estimated at 2.6 percent in FY 2007, 3.0 percent in FY 2008, and 2.9 percent in FY 2009.

DP 11028 - Phased-down State Contribution Adjustment - The legislature appropriated \$15.3 million general fund over the biennium for the "clawback" payment required by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA). States must pay a monthly fee for those individuals whose Medicaid drug coverage was assumed by Medicare Part D.

The "clawback" payment is adjusted each year based on several variables including:

- The number of persons eligible for both Medicare and Medicaid in Montana
- The base level per person payment calculated from 2003
- An inflation factor based on the National Health Index
- And a gradual reduction of the total amount owed from 90 percent to 75 percent over a period of time



DP 11040 - Hospital Cost Reports - The legislature appropriated \$500,000 over the biennium for hospital costs reports funded equally from general fund and federal funds. The reports are required by law and are used for calculating items such as hospital settlements. The hospital cost reports were provided by Montana Blue Cross Blue Shield (BCBS) until October 2006, when the state contracted with a new vender.

DP 11609 - Accept LFD Funding - Present Law Adjustments - The legislature implemented the LFD estimate for funding for present law statewide adjustments, which lowered general fund by \$177,868 and state special revenue by \$725,289, and increased federal funds by \$903,157 over the biennium. This change was based on funding operating costs for each program at the FY 2006 level adjusted for specific program match rates.

### New Proposals

New Proposals										
Sub Program	FTE	-----Fiscal 2008-----				-----Fiscal 2009-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	76,179	25,330	112,833	214,342	0.00	151,673	47,872	225,671	425,216
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
01	0.00	2,297	442	2,394	5,133	0.00	1,907	461	2,478	4,846
DP 11011 - Dental Access										
01	0.00	400,000	495,759	2,087,370	2,983,129	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee - Requires Legislation (Requires Legislation)										
01	0.00	0	6,392,643	11,617,166	18,009,809	0.00	0	9,213,395	17,578,124	26,791,519
DP 11038 - Family Planning Waiver Implementation										
01	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases										
01	0.00	0	1,124,241	2,457,285	3,581,526	0.00	838,754	1,155,414	4,968,751	6,962,919
DP 11604 - Prescription Drug Review										
01	0.00	(40,975)	0	(59,025)	(100,000)	0.00	(41,225)	0	(58,775)	(100,000)
DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150%										
01	0.00	0	943,117	2,061,397	3,004,514	0.00	0	1,216,532	2,646,701	3,863,233
DP 11607 - Revise Medically Needy Income Level										
01	0.00	371,647	0	1,092,864	1,464,511	0.00	743,295	0	2,175,611	2,918,906
DP 11609 - Physician Rate Increase - Restricted										
01	0.00	0	0	0	0	0.00	520,306	0	1,522,928	2,043,234
<b>Total</b>	<b>1.00</b>	<b>\$1,157,445</b>	<b>\$8,981,532</b>	<b>\$22,115,580</b>	<b>\$32,254,557</b>	<b>1.00</b>	<b>\$2,962,379</b>	<b>\$12,188,674</b>	<b>\$33,881,867</b>	<b>\$49,032,920</b>

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent pay increase in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of funds for pay plan costs.

The total division pay plan allocation is included in DP 6013. It will be allocated among subprograms during the 2009 biennium.

DP 6014 - Retirement Employer Contributions - HB 63 and HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

The total division pay plan allocation is included in DP 6013. It will be allocated among subprograms during the 2009 biennium.

DP 11011 - Dental Access - The legislature approved the executive request for \$6.1 million over the biennium, including \$0.8 million general fund and \$1.1 million of tobacco settlement trust fund interest state special revenue, to enhance access to dental services for both adults and children in Medicaid, by raising reimbursement rates to 85 percent of billed charges for adults (age 18 and over) and children (age 17 and under). Current reimbursement is 58 percent of billed

charges for adult services and 64 percent of billed charges for children's services. The appropriation assumes a 4 percent increase in utilization.

An appropriation of \$1.1 million over the biennium from the tobacco settlement trust fund will allow the department to support community health centers or other providers to contract with dentists to provide dental services to low-income persons, including Medicaid beneficiaries.

DP 11012 - Hospital Utilization Fee – SB 525 - The legislature passed SB 525 to continue and raise the hospital utilization fee from \$43 per day in 2008 to \$50 per day in 2010 and beyond and appropriated an additional \$44.8 million total funds, including \$15.6 million state special revenue from the hospital bed tax over the biennium. This appropriation also makes adjustments for the reduction in the federal Medicaid match rate.

FY 2006 expenditures were \$37.7 million. This fee is used as state Medicaid match to draw down federal Medicaid matching funds and increase Medicaid reimbursement for hospitals.

The hospital tax is expected to generate \$55.1 million including federal funds in FY 2008, for a 36 percent increase in hospital reimbursement. The following year the tax and federal funds are expected to total \$62.3 million and would provide a 13.6 percent increase in FY 2009.

SB 525 included a provision that made the hospital utilization fee ongoing unless a change in federal regulations would not allow provider taxes to be levied for state Medicaid matching funds.

DP 11038 - Family Planning Waiver Implementation - The legislature added \$0.7 million general fund and \$5.4 million federal funds for the biennium for the first two years of a five year family planning waiver. The program is expected to start July 2007 and will provide reproductive health services estimated at approximately \$480 per year to about 6,000 low-income women with incomes below 185 of the federal poverty level who are of child-bearing age. The proposal assumes that there would be future Medicaid savings, but that costs would increase in the first two years of the waiver. The appropriation is for the 2009 biennium only.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

**Justification:** This request would fund implementation of the family planning waiver to provide a limited array of family planning benefits, primarily contraceptives to about 6,000 low-income women.

**Goals:**

- Reduce the number of unplanned/unwanted pregnancies through coverage of family planning services for women at or below 185 percent of the federal poverty level in year 3, 4, and 5 of the waiver
- Improve access to and use of family planning services in all 5 years of the waiver
- Decrease the number of Medicaid paid deliveries in years 3, 4, and 5 of the waiver

**Performance Criteria:**

- Number of women receiving family planning services under the Montana Family Planning Project being between 6,000 and 10,000 during the first 3 years
- Number of live births for Medicaid and Medicaid eligible populations
- Costs of the family planning project itself

Evaluations of the capacity for the Montana Family Planning Project to increase enrollment shall occur every six months.

**Milestones:** After federal approval of the Montana Family Planning Project:

- The eligibility determination specialist would be hired within two months
- Initial education of family planning services providers would take place within three months

- An ongoing statewide public information outreach campaign to initiate enrollment of recipients would occur within three months

Program enrollment capacity and progress toward goals would be evaluated at intervals delineated in the waiver application.

FTE: Funding for 1.00 grade 12 FTE is requested for eligibility determination.

Funding: Program services are funded 10 percent state general fund and 90 percent federal Medicaid funds. Administrative costs are funded equally between the state and federal government.

Obstacles: Potential obstacles include:

- Lack of recipient enrollment, which would be mitigated by increasing outreach efforts
- Resistance from providers, which would be mitigated by increasing provider education efforts
- Denial of waiver by the Centers for Medicare and Medicaid Services, which DPHHS would attempt to remedy by working with CMS to modify the waiver in compliance to its suggestions

Risk: If the Montana Family Planning Project is not adopted, the risk is that women with incomes under 185 percent of the federal poverty would continue to have unplanned/unwanted pregnancies, contributing to high expenditures for pregnancies, deliveries and associated costs.

DP 11501 - Provider Rate Increases - The legislature appropriated \$15.2 million, including \$4.9 million from the health and Medicaid initiatives state special revenue account, for a 2.5 percent provider rate increase each year of the biennium. Implementation of the rate increase is delayed in FY 2008, which yields an annual increase of 2.5 percent in FY 2008 with an additional 1.86 percent increase in FY 2009. In comparison, the executive budget included a rate increase of 2.5 percent for FY 2008 only. Part of the rate increase is allocated to state plan services (\$10.5 million) and the remainder is allocated to children's mental health services (\$4.7 million).

DP 11604 - Prescription Drug Review - The legislature added \$0.3 million total funds for contracted review of prescription drugs purchased by the Medicaid program with an expectation that savings will more than offset the added administrative cost. The net result is a general fund reduction of about \$82,000 over the biennium.

DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150% - The legislature appropriated funds to raise Medicaid financial eligibility for infants up to 1 year old and for pregnant women from 133 percent of the federal poverty level to 150 percent (\$30,975 for a family of 4 in 2007). Funding totals \$4.7 million over the biennium, including \$2.2 million of health and Medicaid initiatives account state special revenue. The cost estimates assume that 248 pregnant women and 199 infants will receive services, with an annual cost growth factor of 6.0 percent.

This appropriation was added with the expectation that an expansion of prenatal care would help lower the number of low birth weight babies, premature deliveries, and other complications that could result in lower over all medical costs and better birth outcomes. This Medicaid eligibility change was a legislative initiative and not included in the executive budget request.

DP 11607 - Revise Medically Needy Income Level - The legislature added \$1.1 million general fund and \$3.3 million federal Medicaid matching funds to revise the income eligibility for persons who incur sufficient medical bills to "spend down" their income to levels that allow them to become Medicaid eligible. This category of Medicaid eligibility is called medically needy. Persons must meet all other Medicaid eligibility criteria, such as assets tests, be aged, blind or disabled, or be dependent children. Parents of dependent children cannot be eligible under the medically needy income category. This change was also a legislative initiative.

DP 11609 - Physician Rate Increase - Restricted - The legislature added \$0.5 million general fund and \$1.5 million federal Medicaid matching funds to raise physician reimbursement in FY 2009. This rate increase was a legislative initiative intended to increase access to physician services.

## Sub-Program Details

## CHILDREN'S HEALTH CARE RESOURCES 02

## Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	14.00	0.00	5.00	19.00	0.00	5.00	19.00	19.00
Personal Services	569,472	92,514	221,623	883,609	93,548	221,868	884,888	1,768,497
Operating Expenses	514,956	10,740	848,815	1,374,511	13,199	880,828	1,408,983	2,783,494
Benefits & Claims	19,549,018	3,137,449	9,025,982	31,712,449	3,137,449	9,216,112	31,902,579	63,615,028
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
<b>Total Costs</b>	<b>\$20,635,728</b>	<b>\$3,240,703</b>	<b>\$10,096,420</b>	<b>\$33,972,851</b>	<b>\$3,244,196</b>	<b>\$10,318,808</b>	<b>\$34,198,732</b>	<b>\$68,171,583</b>
General Fund	218,782	(218,782)	100,000	100,000	(218,782)	100,000	100,000	200,000
State/Other Special	3,993,350	1,242,752	2,114,145	7,350,247	1,286,501	2,181,489	7,461,340	14,811,587
Federal Special	16,423,596	2,216,733	7,882,275	26,522,604	2,176,477	8,037,319	26,637,392	53,159,996
<b>Total Funds</b>	<b>\$20,635,728</b>	<b>\$3,240,703</b>	<b>\$10,096,420</b>	<b>\$33,972,851</b>	<b>\$3,244,196</b>	<b>\$10,318,808</b>	<b>\$34,198,732</b>	<b>\$68,171,583</b>

The Children's Health Care Resources sub-program administers the Children's Health Insurance Program (CHIP). The most significant changes approved by the legislature for CHIP are:

- A legislative initiative to expand eligibility from 150 percent of the federal poverty level to 175 percent by passage and approval of SB 22
- Approval of the executive request for funding for 5.00 new FTE and operating costs for the state to assume administration of the CHIP program rather than contracted administration
- A legislative initiative creating an enhanced dental benefit limited to \$100,000 general fund each year and federal matching funds by the passage and approval of HB 198

The legislature appropriated \$4.1 million more from tobacco settlement funds and interest from the tobacco settlement trust fund for the CHIP program than requested by the executive. The tobacco settlement funds and trust fund interest replaced a like amount of health and Medicaid initiatives state special revenue included in the executive request. The legislature took this action in part because it believed that using health and Medicaid initiatives account funds for ongoing CHIP program expenditures did not meet the statutory criteria to use the funds to expand enrollment above the levels of enrollment that appropriations would have supported as of June 30, 2005 (53-6-1201)(3)(a), MCA) and because a staff legal opinion concluded that health and Medicaid initiatives funds could not be used for the \$1.7 million claim reserve requested by the department and approved by the legislature. Some of the health and Medicaid initiatives account funds were used for the CHIP expansion, which is the purpose allowed by statute.

Figure 45

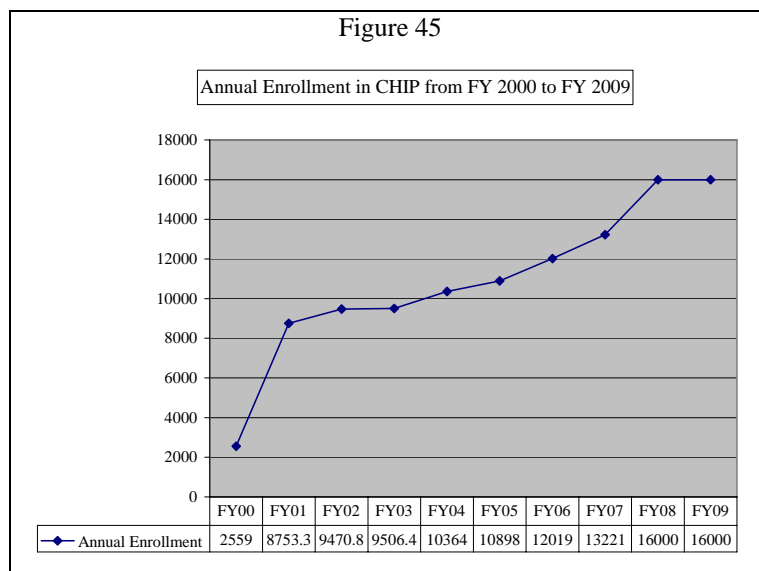


Figure 46

Federal CHIP Grant Funds Remaining at End of FY 2009  
Estimated Expenditures, Appropriation, Balance Remaining

State Fiscal Year/ Federal Grant Year	Available Federal CHIP Funds	-----Estimated Expenditures/ Appropriation	Federal----- Unexpended Grant Funds
<b>State FY 2007</b>			
Federal 2005 Grant	\$8,523,971		
Federal 2006 Grant	12,558,064		
Federal 2007 Grant	<u>15,736,459</u>		
Total Federal Funds Available	\$36,818,494	\$16,744,182	\$20,074,312
<b>State FY 2008</b>			
Carry Forward	\$20,074,312		
Federal 2008 Grant*	<u>15,736,459</u>		
Total Federal Funds Available	\$35,810,771	\$26,552,604	\$9,258,167
<b>State FY 2009*</b>			
Balance Carry Forward	\$9,258,167		
Federal 2009 Grant*	<u>15,736,459</u>		
Total Federal Funds Available	\$24,994,626	\$26,637,392	(\$1,642,766)
<b>Potential Federal Shortfall at State FY 2009 Year End</b>			<b>(\$1,642,766)</b>

First Quarter Costs for FY 2010 Based on FY 2009 Appropriation \$6,659,348

\*Federal reauthorization for CHIP occurs in 2008. These grant amounts may change depending on the reauthorization amounts and distribution formulas.

Figure 45 shows historic and projected CHIP enrollment. FY 2000 through FY 2006 is actual enrollment, while FY 2007 is estimated enrollment. Enrollment in FY 2008 and FY 2009 is based on the fiscal note for SB 22, which assumed that an additional 2,100 children would enroll above the level funded in the executive budget request (13,900).

The federal grant for the Montana CHIP program will be insufficient to support the level of enrollment shown in Figure 45 for the entire 2009 biennium. Figure 45 shows the carry forward federal grant amounts, the estimated grant amounts, and the HB 2 appropriations. Based on assumptions in Figure 46, DPHHS will be \$1.6 million short in federal grant authority. However, any shortfall will likely be lower than \$1.6 million as enrollment is likely to increase incrementally to reach the funded level.

Federal reauthorization of the CHIP program is expected within the next year. The legislature expected that the federal grant allocated to Montana would increase

compared to grant amounts in the first 10 years of the program. If the state does not receive additional federal grant funds, then the 2009 Legislature will be faced with a choice of directing DPHHS to lower CHIP enrollment or increasing the level of state funds to maintain enrollment.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				120,097					121,175
Vacancy Savings				(27,583)					(27,627)
Inflation/Deflation				2,543					2,570
Fixed Costs				8,197					10,629
<b>Total Statewide Present Law Adjustments</b>				<b>\$103,254</b>					<b>\$106,747</b>
DP 11006 - CHIP FMAP Match Rate									
0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)	0
DP 11009 - CHIP Enrollment									
0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929	3,137,449
<b>Total Other Present Law Adjustments</b>									
0.00	<b>(\$262,626)</b>	<b>\$924,449</b>	<b>\$2,475,626</b>	<b>\$3,137,449</b>	<b>0.00</b>	<b>(\$269,432)</b>	<b>\$874,376</b>	<b>\$2,532,505</b>	<b>\$3,137,449</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$3,240,703</b>					<b>\$3,244,196</b>

**DP 11006 - CHIP FMAP Match Rate** - The legislature appropriated \$0.7 million in tobacco settlement funds over the biennium and reduced federal funds by the same amount because the federal match rate declines from 79.62 percent in the base budget year to 78.07 percent in FY 2008 and 77.89 percent in FY 2009.

DP 11009 - CHIP Enrollment - The legislature appropriated \$1.1 million state special revenue from tobacco settlement state special revenue and \$5.7 million in federal funds over the biennium to maintain enrollment in CHIP. The increase in state special revenue offsets \$0.5 million general fund. The legislature adopted the executive budget estimate for annual services cost increases of 6.0 percent from base budget costs. The executive budget was based on a monthly per child cost for health services of \$166.75 in FY 2008 and \$176.97 in FY 2009. The monthly administrative cost per child added another \$13.55 in FY 2008 and \$13.77 in FY 2009 based on assumptions used in the executive budget.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

**Justification:** CHIP has actively recruited over the past year and has seen a steady increase in enrollment. The CHIP program is partially funded with tobacco tax revenue from the health and Medicaid initiatives account. This decision package provides the appropriation authority for the projected cash flow in FY 2008 and FY 2009.

**Goals:** The goal is to increase the number of Montana children at or below 150 percent of the federal poverty level who are insured by:

- Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- Determining potential Medicaid eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance for Medicaid eligibility determination

**Performance Criteria:** CHIP monthly enrollment reports, quarterly fiscal performance reports, and quarterly healthcare management (benefit utilization) reports are produced and evaluated.

**Milestones:** CHIP has 13,291 children enrolled as of March 1, 2007.

**FTE:** No additional FTE are needed.

**Funding:** The program is funded through tobacco tax revenue deposited to the health and Medicaid initiatives account and federal grant funds.

**Obstacles:**

- Some Montana families may believe their children would not be eligible for CHIP
- Some Montana families may not be interested in enrolling their children in a publicly funded health insurance plan

**Risks:** Federal government participation (either through reductions in grant awards or matching requirements) could decline causing more costs to be absorbed by the state. This reduction could be mitigated by the authorizing statute which allows the state to adjust eligibility criteria or benefits to match the appropriation (53-4-1004(4)), MCA. CHIP is not an entitlement program.

## New Proposals

New Proposals										
Sub Program	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11013 - CHIP Self Administration										
02	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11605 - Raise CHIP Eligibility										
02	0.00	0	877,725	3,124,667	4,002,392	0.00	0	934,920	3,293,573	4,228,493
DP 11610 - Expand CHIP Dental Benefit - HB 198										
02	0.00	100,000	0	355,997	455,997	0.00	100,000	0	352,284	452,284
<b>Total</b>	<b>5.00</b>	<b>\$100,000</b>	<b>\$2,114,145</b>	<b>\$7,882,275</b>	<b>\$10,096,420</b>	<b>5.00</b>	<b>\$100,000</b>	<b>\$2,181,489</b>	<b>\$8,037,319</b>	<b>\$10,318,808</b>

DP 11013 - CHIP Self Administration - The legislature appropriated \$11.3 million over the biennium for 5.00 FTE and start-up costs for the department to self-administer the CHIP program. The state match is funded from tobacco settlement revenues allocated to support CHIP.

The new FTE would provide customer service, provider enrollment/support, contract, and claims monitoring, inpatient pre-certification, prior authorization, and data management. Funding is included for programming changes to the data system to accommodate self-administration. Finally, the appropriation includes a \$1.7 million reserve account to pay unanticipated, high-cost medical claims.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

Justification: HRD included language identical to the description of the proposal as the justification.

Goals: Decrease the administrative costs of providing health insurance to children enrolled in CHIP. Decrease the number of Montana children at or below 150 percent of the federal poverty level (FPL) who are uninsured by:

- Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- Determining Medicaid potential eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP had 13,291 children enrolled as of March 1, 2007.

FTE: The decision package requests funding for 5.00 FTE to perform administrative services which are currently performed by Montana Blue Cross Blue Shield employees and to provide contract management services.

Funding: The program is funded through tobacco tax revenue deposited in the health initiatives and Medicaid account and federal grant funds.

Obstacles: Extensive work needs to be done to enroll providers, pay claims at rates equivalent to current CHIP rates, hire and train DPHHS staff, and assure continuous access to health care services for CHIP children.



Risks: Federal participation (either through reductions in grant awards or matching requirements) could possibly decline, causing more costs to be absorbed by the state. Federal funding declines can be mitigated by adjustments to eligibility criteria or benefits to match the appropriation (53-4-1004(4), MCA). CHIP is not an entitlement program.

DP 11605 - Raise CHIP Eligibility - The legislature appropriated \$8.2 million total funds to raise financial eligibility for CHIP from 150 percent of the federal level to 175 percent. The eligibility change was a legislative initiative authorized in SB 22. The state match (\$1.8 million) is funded from the health and Medicaid initiatives account.

DP 11610 - Expand CHIP Dental Benefit - HB 198 - The legislature appropriated \$200,000 general fund and \$708,281 in federal matching funds to expand dental benefits for CHIP eligible children authorized in HB 198. The bill allows the CHIP program to provide dental services to those children with significant dental needs up to an annual expenditure limit of \$100,000 state funds and federal matching funds - about \$450,000 per year in the 2009 biennium. The department must adopt rules governing the circumstances under which additional services will be provided and what services might be covered.

**Sub-Program Details****CHILDREN'S MENTAL HEALTH SERVICES 03****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	589,324	258,996	69,157	917,477	261,133	0	850,457	1,767,934
Operating Expenses	1,400,419	2,757	533,605	1,936,781	3,401	0	1,403,820	3,340,601
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	59,417,489	10,232,560	3,058,790	72,708,839	15,540,694	4,666,030	79,624,213	152,333,052
<b>Total Costs</b>	<b>\$61,596,510</b>	<b>\$10,494,313</b>	<b>\$3,661,552</b>	<b>\$75,752,375</b>	<b>\$15,805,228</b>	<b>\$4,666,030</b>	<b>\$82,067,768</b>	<b>\$157,820,143</b>
General Fund	17,165,351	4,234,878	714,849	22,115,078	5,977,313	828,885	23,971,549	46,086,627
State/Other Special	1,252,354	491,230	796,036	2,539,620	491,230	791,152	2,534,736	5,074,356
Federal Special	43,178,805	5,768,205	2,150,667	51,097,677	9,336,685	3,045,993	55,561,483	106,659,160
<b>Total Funds</b>	<b>\$61,596,510</b>	<b>\$10,494,313</b>	<b>\$3,661,552</b>	<b>\$75,752,375</b>	<b>\$15,805,228</b>	<b>\$4,666,030</b>	<b>\$82,067,768</b>	<b>\$157,820,143</b>

Children's Mental Health Services grows \$34.6 million total funds, including \$11.3 million general fund, over the 2009 biennium compared to the base budget doubled. The major cost drivers are:

- Medicaid service utilization and eligibility growth - \$23.2 million total funds, including \$7.3 million general fund
- Provider rate increases - \$4.9 million total funds, including \$0.5 million general fund and \$1.0 million health and Medicaid initiatives state special revenue
- Direct care worker wage increases – \$2.0 million, including \$0.6 million health and Medicaid initiatives state special revenue
- System of care sustainability - \$0.7 million general fund

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				294,343					296,569
Vacancy Savings				(35,347)					(35,436)
Inflation/Deflation				473					502
Fixed Costs				2,284					2,899
<b>Total Statewide Present Law Adjustments</b>				<b>\$261,753</b>					<b>\$264,534</b>
DP 11002 - Medicaid Caseload - Children's Mental Health									
0.00	2,819,972	0	6,163,693	8,983,665	0.00	4,501,736	0	9,794,029	14,295,765
DP 11005 - FMAP MATCH Rate for FY2008/FY2009									
0.00	1,218,058	0	(1,218,058)	0	0.00	1,277,476	0	(1,277,476)	0
DP 11007 - Medicaid Tobacco Portion -I-149									
0.00	0	392,028	856,867	1,248,895	0.00	0	392,028	852,901	1,244,929
DP 11031 - CMH - Direct Care Wage Biennial									
0.00	0	99,202	(99,202)	0	0.00	0	99,202	(99,202)	0
<b>Total Other Present Law Adjustments</b>									
0.00	\$4,038,030	\$491,230	\$5,703,300	\$10,232,560	0.00	\$5,779,212	\$491,230	\$9,270,252	\$15,540,694
<b>Grand Total All Present Law Adjustments</b>				<b>\$10,494,313</b>					<b>\$15,805,228</b>

DP 11002 - Medicaid Caseload - Children's Mental Health - The legislature appropriated \$23.3 million total funds over the biennium, including \$7.3 million general fund for increases in children's mental health Medicaid services. This appropriation is about \$0.8 million lower than the original executive budget request, reflecting updated cost estimates. Base level expenditures were \$54.7 million total funds including \$15.2 million general fund.

DP 11005 - FMAP MATCH Rate for FY2008/FY2009 - The legislature approved the executive request for \$14.5 million in general fund with a like reduction in federal funds due to the federal Medicaid match rate (FMAP) reduction. Most of the change is for state plan services, which rise by \$12.0 million general fund with a like reduction in federal funds. This adjustment also adds \$2.5 million in general fund for children's mental health services and reduces federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11007 - Medicaid Tobacco Portion -I-149 - The legislature reduced general fund by \$0.2 million each year and increased health and Medicaid initiatives state special funds \$3.0 million each year to annualize eligibility increases and fully fund provider rate increases. State special revenue and a small amount of general fund were appropriated by the 2005 Legislature for Medicaid provider rate increases in FY 2006. Beginning in FY 2007, the legislature appropriated health and Medicaid initiative funds for the state Medicaid match to increase eligibility for children by increasing the family asset limit from \$3,000 to \$15,000.

DP 11031 - CMH - Direct Care Wage Biennial - The legislature funded annualization of the direct care wage increase for children's mental health providers. The provider rate increase for providers who agreed to implement direct care worker wage increases was implemented October 1, 2006. This appropriation fully funds the annual cost to maintain the rate increase during the 2009 biennium. The state match is funded from the health and Medicaid initiatives account.

## New Proposals

New Proposals										
Sub Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11016 - Deficit Reduction Act Grant										
03	0.00	301,381	0	301,381	602,762	0.00	0	0	0	0
DP 11501 - Provider Rate Increases										
03	0.00	0	496,036	1,084,201	1,580,237	0.00	383,927	491,152	2,192,307	3,067,386
DP 11601 - Direct Care Worker Wage Increase - Restricted										
03	0.00	18,036	300,000	695,142	1,013,178	0.00	19,050	300,000	694,128	1,013,178
DP 11608 - Equalize Campus Based Rates - Restricted										
03	0.00	23,785	0	69,943	93,728	0.00	54,261	0	159,558	213,819
DP 11901 - System of Care Sustainability										
03	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
<b>Total</b>	<b>0.00</b>	<b>\$714,849</b>	<b>\$796,036</b>	<b>\$2,150,667</b>	<b>\$3,661,552</b>	<b>0.00</b>	<b>\$828,885</b>	<b>\$791,152</b>	<b>\$3,045,993</b>	<b>\$4,666,030</b>

DP 11016 - Deficit Reduction Act Grant - The legislature approved the executive request for \$0.3 million general fund and \$0.3 million matching federal funds for a federal demonstration grant authorized by the federal Deficit Reduction Act of 2005. The grant will allow the state to pursue a home and community based services (HCBS) waiver, as an alternative to utilizing psychiatric residential treatment services for children with a serious emotional disturbance. This program will become cost neutral as it progresses.

DP 11501 - Provider Rate Increases - The legislature appropriated \$15.2 million, including \$4.9 million from the health and Medicaid initiatives state special revenue account, for a 2.5 percent provider rate increase each year of the biennium. Implementation of the rate increase is delayed in FY 2008, which yields an annual increase of 2.5 percent in FY 2008 with an additional 1.86 percent increase in FY 2009. In comparison, the executive budget included a rate increase of 2.5 percent for FY 2008 only. Part of the rate increase is allocated to state plan services (\$10.5 million) and the remainder is allocated to children's mental health services (\$4.7 million).

DP 11601 - Direct Care Worker Wage Increase - Restricted - The legislature appropriated \$2.0 million total funds, including \$0.6 million health and Medicaid initiatives account state special revenue, to increase direct care worker wages to \$8.50 per hour for certain classes of workers and with remaining funds to increase wages of all direct care workers by up to \$0.70 per hour, including benefits such as federal and state income taxes and workers' compensation costs. The funds may not be used for any other purpose. This appropriation is a legislative initiative and was not included in the executive budget request.

Providers accepting funds from this appropriation agree to increase wages to \$8.50 and then use the balance of funds to provide wage increases to all direct care workers. The bill includes language to restrict these funds from being used to supplant wage increases negotiated or specified in other written agreements. An October 2007 implementation is anticipated. The department is required to track amounts distributed as wage increases and report the data to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services. A table showing the amount appropriated for direct care worker wage increases by program is included in the agency narrative.

DP 11608 - Equalize Campus Based Rates - Restricted - The legislature added \$78,000 general fund and \$229,501 in federal Medicaid matching funds to raise campus based therapeutic group home Medicaid rates to the same level paid to other therapeutic group homes as long campus based services are recognized as a separate level of care by the state Medicaid program. Otherwise, the funds must be used to raise the rates for therapeutic group homes. HRD is implementing a new reimbursement methodology in response to federal requirements to unbundle Medicaid rates and pay for discreet units of service.

DP 11901 - System of Care Sustainability - The legislature added \$743,294 general fund for the biennium for system of care (SOC) sustainability, \$343,294 more than requested in the executive budget. The SOC infrastructure is a network of

local interagency teams known as Kids Management Authorities (KMA's) and a state level oversight committee. Currently, the state is overseeing the administration of the third year of a six-year federal grant that is matched by local funds from the KMA and this general fund. This grant is intended to help local communities establish a system of care for children who need mental health services, particularly those children with serious emotional disturbances. This funding would assist the state in providing leadership in the development of KMA's in local communities. KMA teams are multi-agency community organizations made up of parents, youth, state agencies serving youth, other programs who serve Montana's youth, such as juvenile justice, schools, community leaders, Tribal representatives, providers and advocates.

## Sub-Program Details

## PRESCRIPTION DRUG PROGRAM 05

## Sub-Program Legislative Budget

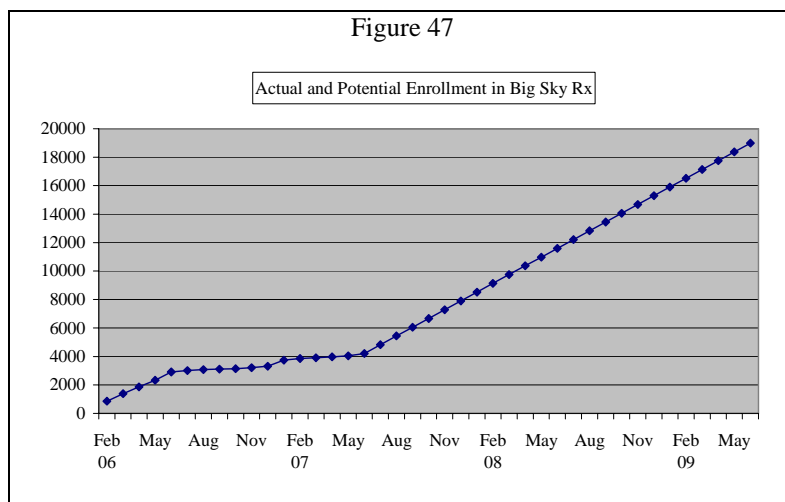
The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	233,497	168,208	0	401,705	169,743	0	403,240	804,945
Operating Expenses	491,210	505,267	0	996,477	228,571	0	719,781	1,716,258
Benefits & Claims	206,364	9,718,556	1,389,441	11,314,361	43,636	2,037,846	2,287,846	13,602,207
<b>Total Costs</b>	<b>\$931,071</b>	<b>\$10,392,031</b>	<b>\$1,389,441</b>	<b>\$12,712,543</b>	<b>\$441,950</b>	<b>\$2,037,846</b>	<b>\$3,410,867</b>	<b>\$16,123,410</b>
State/Other Special	931,071	10,392,031	1,389,441	12,712,543	441,950	2,037,846	3,410,867	16,123,410
<b>Total Funds</b>	<b>\$931,071</b>	<b>\$10,392,031</b>	<b>\$1,389,441</b>	<b>\$12,712,543</b>	<b>\$441,950</b>	<b>\$2,037,846</b>	<b>\$3,410,867</b>	<b>\$16,123,410</b>

The prescription drug assistance function includes two programs. First, Big Sky Rx was initiated in late 2006 and pays monthly premium assistance (\$33.11 per month) for persons enrolled in Medicare Part D prescription drug assistance programs who have incomes below 200 percent of the federal poverty level. The Pharmassist program, a much smaller component, provides information to Montanans about the effective use of prescription drugs and helps them access prescription drug programs and was initiated in mid FY 2007.

Initial enrollment in the premium assistance program was lower than anticipated and grew slowly over in the first few months of 2007. The 2007 biennium appropriation was sufficient to provide premium assistance to 20,000 people compared to a FY 2006 average enrollment of 581 and 3,550 in FY 2007. The legislature established a biennial appropriation of \$9.6 million for assistance and to provide flexibility to administer claims with the expectation that enrollment would continue to increase over the 2009 biennium. HRD estimates that as many as 20,000 Montanans could be eligible for the premium assistance program, but that enrollment was low because the new Part D program was confusing and persons didn't understand that Big Sky Rx would assist them in paying monthly premiums.

Actual enrollment in Big Sky Rx through June 1, 2007 was 4,206 persons. HRD anticipates doing more outreach and education in order to boost enrollment throughout the 2009 biennium. An additional 616 persons would need to enroll in Big Sky Rx each month in order to fully expend the biennial appropriation, for a total enrollment of 18,990 by the end of FY 2009. Figure 47 shows actual enrollment in Big Sky Rx through June 1, 2007 and the enrollment that the appropriation would support if there were a gradual increase. Since the program began an average of 256 persons enrolled each month.



**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				184,947					186,544
Vacancy Savings				(16,739)					(16,801)
Inflation/Deflation				341					368
Fixed Costs				4,791					6,087
<b>Total Statewide Present Law Adjustments</b>				<b>\$173,340</b>					<b>\$176,198</b>
DP 11008 - Big Sky Rx Base Adjustment									
0.00	0	9,856,620	0	9,856,620	0.00	0	(68,300)	0	(68,300)
DP 11018 - Pharmacist Program									
0.00	0	362,071	0	362,071	0.00	0	334,052	0	334,052
<b>Total Other Present Law Adjustments</b>									
<b>0.00</b>	<b>\$0</b>	<b>\$10,218,691</b>	<b>\$0</b>	<b>\$10,218,691</b>	<b>0.00</b>	<b>\$0</b>	<b>\$265,752</b>	<b>\$0</b>	<b>\$265,752</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$10,392,031</b>					<b>\$441,950</b>

DP 11008 - Big Sky Rx Base Adjustment - The legislature appropriated \$9.8 million in state special revenue over the biennium for the Big Sky Rx program from the health and Medicaid initiatives account. The appropriation is \$5.4 million lower than the executive budget request. The appropriation for premium assistance payments is a biennial appropriation and is restricted for premium assistance payments.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

**Justification:** The Big Sky Rx program was started in January 2006. Base year expenditures reflect only a partial fiscal year's worth of costs, since the Medicare Part D program was implemented January 1, 2006. The program, funded through health and Medicaid initiatives account, pays up to \$33.11 per month for the Medicare prescription drug plan monthly premium. HRD anticipates an estimated 20,000 individuals would be enrolled at this funding level.

**Goals:** The program has established the program infrastructure and is making premium assistance payments. The base adjustment is necessary to reach full service capacity for 20,000 individuals.

**Performance Criteria:** Big Sky Rx monthly enrollment reports as well as quarterly fiscal performance reports are produced and evaluated.

**Milestones:** The program hopes to reach full capacity to serve 20,000 individuals by the end of FY 2009.

**FTE:** 8.00 of the 9.00 FTE funded for the program have been hired with one position still vacant. The vacant position would manage a rebate program from drug manufacturers to fund other prescription drug assistance programs. The FTE which are filled are:

- 1.00 Pharmacy assistance supervisor
- 1.00 Program officer
- 1.00 Analyst
- 1.00 Media outreach officer
- 4.00 Eligibility specialists

**Funding:** The program is funded through tobacco tax revenue from I-149. To date HRD has spent \$931,071 of the \$8.0 million FY 2006 appropriation.

**Obstacles:** Enrollment has been rising slower than anticipated. The Medicare beneficiary population eligible for Big Sky Rx has been proven hard to reach both statewide and on a national basis. Medicare Part D has been very confusing to beneficiaries and the May 15, 2006 end of open enrollment negatively affected Big Sky Rx enrollment.

**Risks:** Big Sky Rx would not continue to pay Medicare Part D premiums to those Montanans currently enrolled and would not be able to pay premiums for the remainder of the 20,000 potential enrollees. Many of these individuals would not/may not be able to pay the out-of-pocket premium and would not receive the Part D prescription drug benefit and might go without prescription drugs.

**DP 11018 - Pharmacist Program -** The legislature appropriated \$0.7 million in health and Medicaid initiatives state special revenue for the Pharmacist program, authorized by the 2005 Legislature, and implemented in FY 2007. The program, authorized in 53-6-106, MCA provides prescription drug information and technical assistance to Montana residents with advice on the prudent use of prescription drugs, and how to access government and private prescription drug programs and discounts. The program includes consultation by licensed pharmacists with individuals on how to avoid dangerous drug interactions and provide for substitution of more cost-effective drugs with approval by the prescribing health care professional. The program also provides educational resources, including a website, concerning the costs and benefits of various drugs to inform consumers and medical practitioners on clinically effective and cost-conscious prescription drugs.

### New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11017 - Prescription Drug Discount Program - Restricted 05	0.00	0	1,389,441	0	1,389,441	0.00	0	2,037,846	0	2,037,846
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,389,441</b>	<b>\$0</b>	<b>\$1,389,441</b>	<b>0.00</b>	<b>\$0</b>	<b>\$2,037,846</b>	<b>\$0</b>	<b>\$2,037,846</b>

**DP 11017 - Prescription Drug Discount Program - Restricted -** The Big Sky Rx prescription drug discount program, established by the 2005 Legislature, was not implemented during the 2007 biennium. The legislature appropriated \$3.4 million in state special revenue account from drug rebates from pharmaceutical manufacturers to support the program.



## Sub-Program Details

## PREMIUM ASSISTANCE PROGRAM 06

## Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
Personal Services	0	44,059	0	44,059	44,104	0	44,104	88,163
<b>Total Costs</b>	<b>\$0</b>	<b>\$44,059</b>	<b>\$0</b>	<b>\$44,059</b>	<b>\$44,104</b>	<b>\$0</b>	<b>\$44,104</b>	<b>\$88,163</b>
General Fund	0	286	0	286	308	0	308	594
State/Other Special	0	21,744	0	21,744	21,744	0	21,744	43,488
Federal Special	0	22,029	0	22,029	22,052	0	22,052	44,081
<b>Total Funds</b>	<b>\$0</b>	<b>\$44,059</b>	<b>\$0</b>	<b>\$44,059</b>	<b>\$44,104</b>	<b>\$0</b>	<b>\$44,104</b>	<b>\$88,163</b>

The Premium Assistance Program was funded by the 2005 Legislature, but not initiated during the 2007 biennium. It is contingent on federal approval of the Health Insurance Flexibility and Accountability (HIFA waiver), which is discussed in greater detail in the agency summary.

The HIFA waiver was initially proposed by the Medicaid redesign group that met during the 2005 biennium. The 2005 Legislature approved the waiver concept and funding for components of the waiver. Due to extensive state review of the waiver, including evaluation by the Governor's Office, the waiver was not submitted for federal review until July 21, 2006. DPHHS began responding to federal inquiries in early October and received 65 questions from federal reviewers in early November 2006. It appears that the waiver will not be implemented until after July 1, 2007 and that some elements may change.

This component of the HIFA waiver would allow federal Medicaid funding for premium assistance for up to 260 persons with incomes under 150 percent of the federal poverty level who are participating in the Montana Comprehensive Health Association (MCHA - high risk state pool for persons who have been refused coverage in the private market). HIFA waiver funding is estimated to provide services to 200 people currently participating in MCHA and an additional 60 persons from the waiting list. The total funding anticipated for the program is \$3.9 million over the five year waiver and the total services anticipated would be 1,800 months of insurance premium assistance per year.

The HRD funding request supports an FTE to administer the program. The state match for expanded premium assistance is appropriated in the State Auditor's budget (\$2 million in health and Medicaid initiatives account over the biennium) and the federal Medicaid matching funds were appropriated to the Director's Office to be redistributed among programs once the waiver is approved.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				45,895					45,942
Vacancy Savings				(1,836)					(1,838)
<b>Total Statewide Present Law Adjustments</b>				<b>\$44,059</b>					<b>\$44,104</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$44,059</b>					<b>\$44,104</b>